

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 91-342-G - ORDER NO. 93-848 ✓

SEPTEMBER 9, 1993

IN RE: Application of South Carolina Electric and Gas Company for Approval of Weather Normalization Adjustment and for Elimination of Certain Rate Schedules.	)ORDER APPROVING )CONTINUED OPERATION )OF THE WEATHER )NORMALIZATION )ADJUSTMENT
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This matter comes before the Public Service Commission of South Carolina (the Commission) for annual review of South Carolina Electric and Gas Company's (SCE&G's or the Company's) Weather Normalization Adjustment (WNA). Annual review of the WNA was provided for by Order No. 91-971, dated November 1, 1991. The WNA was approved for an additional year by Order No. 92-821, dated September 21, 1992.

After examinations of filings by the Commission Staff, the Company and the Consumer Advocate for the State of South Carolina (Consumer Advocate), and after review of the record as a whole, the Commission concludes that the continued operation of the WNA is appropriate, for an additional year's period.

A comparison of revenues between a hypothetical gas rate increase using 12.25% rate of return on equity and the WNA is revealing. According to the Staff report, for the period December 1991 to April 1993, \$18,974,442 dollars would have been collected

through rate case rates, as compared to WNA revenues of \$6,276,928. This is a \$12,697,514 estimated customer savings through the use of the WNA. See Commission Staff Report, July 9, 1993. This alone supports a continuation of the WNA program.

The present WNA methodology employs the use of 30 years of weather data to establish normal temperatures for each billing cycle. According to the Gas Department, thirty (30) years is the most commonly used period in Weather Normalization calculations.

In order to determine how the Company's customers accepted the WNA, the Commission Staff requested the number of customer inquiries or complaints received by the Company, the Consumer Advocate, and the Commission Staff. During the 1991-1992 winter period, a total of seven hundred eighty-three (783) complaints and inquiries were received regarding the WNA. During the 1992-1993 winter period, a total of thirty (30) complaints and inquiries were received by the same entities. The Company, prior to entering the 1992-1993 winter period, implemented an extensive educational program for both SCE&G customer representatives and for SCE&G's gas customers in general. The Gas Department believes and this Commission agrees that this educational program has been very instrumental in creating customer acceptance of the WNA. According to the Gas Department, the effectiveness of this educational program can be demonstrated in reviewing the drastic decline in the number of customer complaints/inquiries received by all parties from the 1991-1992 winter period to the 1992-1993 winter period. We agree.

Our Order No. 92-821 detailed certain modifications in the original WNA procedure to include a new bill form, a modification in the way non-temperature sensitive volumes were handled, and a new methodology for the way WNA factors were handled for each billing cycle. The Commission Staff has examined these factors, and believes that all have worked satisfactorily during this period of annual review.

With regard to rate of return, Commission Order No. 91-971 allowed the Company to earn a return on common equity of 12.25% on its firm gas operations. For the twelve (12) month period ending March 31, 1993, the Company earned a return on common equity of 11.50%. A subsequent letter of Belton T. Zeigler, Associate General Counsel of the Company, dated September 1, 1993, alleges that the quarterly report ending June 30, 1993 reflects a rate of return on equity for firm operations of 10.77%.

SCE&G states that, based on the high level of customer acceptance and the low level of complaints, and because of the demonstrated benefits to SCE&G's customers from the WNA program, the Commission should enter an Order establishing the WNA program as a permanent program and closing the instant Docket. It may be recalled that our original Commission Order No. 91-971 established the Weather Normalization Adjustment on an experimental basis for a three (3) year period, the program therein being subject to annual review by the Commission and to modification or termination after each winter period. It should be noted that the past winter heating season was only the second of the three (3) year period.

The Commission believes that it would be more prudent to allow the operation of the WNA by SCE&G for an additional year on an experimental basis so that additional data may be gathered on the WNA's operation.

The Consumer Advocate by letter dated August 16, 1993, reiterates his former contention that the Commission needs to reexamine the Company approved return on equity in light of current economic conditions. In Order No. 92-821, the Commission found that it would monitor the rate of return on equity and, if market and economic conditions dictate, could examine modification of the granted rate of return on equity of 12.25%. The Consumer Advocate notes that in SCE&G's electric rate case, the Commission approved a rate of return on equity of 11.5%, which the Consumer Advocate alleges shows that economic conditions have changed and that the gas rate of return on equity should be reexamined now. Data filed with this Commission, however, shows that for the twelve (12) month period ending March 31, 1993, SCE&G was earning 11.5% rate of return on equity; a rate identical to that granted in SCE&G's electric rate case. Further, SCE&G alleges that, with regard to the quarterly report for gas distribution operations for the period ending June 30, 1993, a rate of return on equity for firm operation of 10.77% was reflected.

Based on these findings, the Commission believes that it should continue to monitor the rate of return on equity. The Commission will reserve the right, if market and economic conditions dictate, to examine modification of the currently

granted rate of return on equity of 12.25%. The Commission, however, believes that re-examination of said rate of return is inappropriate at this time.

Further, the Commission hereby states that for the winter heating season of 1993-1994, all parties shall study the use of the thirty (30) year normal weather data as is presently employed at present to establish normal temperatures for each billing cycle. All parties shall study different time periods during the next winter heating season and consider a different time frame to establish more normal temperatures for each billing cycle.

Further, all parties agree that training and information programs presently in place should be continued during the next year to ensure that present levels of customer acceptance of the WNA program are maintained.

IT IS THEREFORE ORDERED THAT:

1. The operation of the Weather Normalization Adjustment by South Carolina Electric and Gas Company be hereby continued for an additional year period on an experimental basis.

2. That the Commission shall re-examine and review the Weather Normalization Adjustment after the next heating season.

3. That the parties shall study the use of periods other than thirty (30) years to determine whether or not other than thirty (30) year periods may be appropriately used to establish normal temperatures for each billing cycle.

4. That the Commission shall continue to monitor the rate of return on equity and, if market and economic conditions dictate,

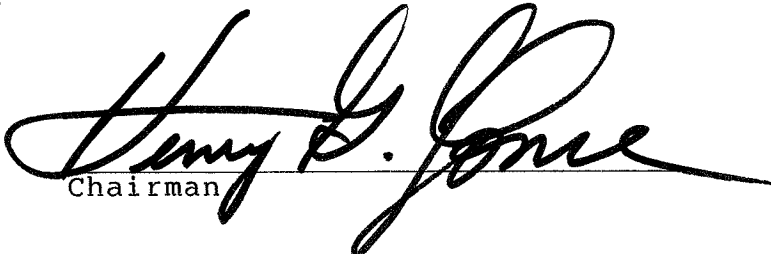
may examine modification of the presently granted rate of return on equity of 12.25%.

5. That SCE&G continue training and information programs presently in place to ensure that the present levels of customer acceptance of the WNA program are maintained.

6. That because of the Commission's holdings above, no hearing is necessary at this time, as originally contemplated by Order No. 92-821.

7. That this Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)